

Message Text

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21

ACTION EUR-12

INFO OCT-01 NEA-06 ARA-06 ISO-00 CIAE-00 DODE-00 PM-03

H-01 INR-05 L-02 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01

SP-02 SS-15 USIA-06 AID-05 EB-07 CIEP-01 TRSE-00

STR-01 OMB-01 CEA-01 COME-00 FRB-01 XMB-02 FEA-01

INT-05 OES-03 /095 W

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R 060800Z DEC 74

FM AMEMBASSY LUXEMBOURG

TO SECSTATE WASHDC 4186

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS UNN

USMISSION OECD PARIS UNN

C O N F I D E N T I A L LUXEMBOURG 0816

E.O. 11652: GDS

TAGS: ENRG, LU

SUBJ: GOL OFFICIAL'S COMMENTS ON KISSINGER-SIMON PROPOSAL

1. ALBERT DONDELINGER, GOL BANKING COMMISSIONER, TOLD
ECON OFFICER DECEMBER 4 THAT INITIAL GOL REACTIONS TO
KISSINGER-SIMON PROPOSALS WERE GENERALLY FAVORABLE AND
THAT HE WAS GLAD THAT US HAS SEIZED THE INITIATIVE.
SPEAKING PERSONALLY, HE SAID HE WAS NOT OVERLY CONCERNED
WITH THE FINANCIAL PROBLEM POSED BY THE MASSIVE FLOWS
OF PETRO-DOLLARS AND THAT ALTHOUGH IT MIGHT BE USEFUL
TO HAVE A SHORT-TERM FINANCIAL FACILITY IN THE OECD
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AS A FINANCIAL SAFETY NET, HE WAS NOT CONVINCED IT WAS

ALL THAT NECESSARY. ALTHOUGH HE SEES A NEED FOR IMPROVED CONSUMER COOPERATION, HE ALSO BELIEVES THAT US INSISTANCE ON A SEQUENTIAL-LINKAGE LEADING TO CONSUMER-PRODUCER DIALOGUE COULD BE COUNTERPRODUCTIVE. IN ANY CASE, HE THINKS THE US OBJECTIVE OF SUBSTANTIAL REDUCTIONS IN THE PRICE OF PETROLEUM IS UNOBTAINABLE UNLESS THE US AND OTHER CONSUMER NATIONS ARE WILLING TO OFFER SOMETHING MORE THAN THE TREAT OF A FUTURE REDUCED RELIANCE ON OPEC OIL AS THE MAIN BARGAINING LEVER. HE BELIEVES THAT A WILLINGNESS ON THE EUROPEAN SIDE TO DISCUSS INDEXATION OF PETROLEUM PRICES TO THE PRICE OF IMPORTED INVESTMENT GOODS OR SOME SIMILAR BASKET OF PRODUCING COUNTRIES' IMPORT NEEDS IS A MORE LIKELY MEANS OF BRINGING THE CURRENT PRICE OF PETROLEUM WITHIN MANAGEABLE LIMITS. LUXEMBOURG'S EXPERIENCE WITH INDEXATION (WAGES AND INCOME TAX RATES ARE BOTH INDEXED TO THE COST OF LIVING) LEADS DONDELINGER TO BELIEVE THAT INDEXATION COULD BE A WORKABLE SOLUTION ATTRACTIVE TO ALL PRODUCING COUNTRIES. DONDELINGER STRESSED THAT HE DID NOT AGREE WITH FRENCH DESIRES FOR AN IMMEDIATE CONSUMER-PRODUCER DIALOGUE BUT RATHER THOUGHT THAT SOME CONTACTS SHOULD BE TAKEN ALONG THE WAY IN ORDER TO INSPIRE PRODUCERS' CONFIDENCE AND TO COUNTER "CONFRONTATION" ACCUSATIONS.

2. COMMENT: DONDELINGER'S UNENTHUSIASTIC REACTION TO THE PROPOSED FINANCIAL FACILITY WITHIN THE OECD CAN BE EXPLAINED PARTLY BY THE FACT THAT LUXEMBOURG (AS PART OF THE BLEU) HAS NOT SUFFERED ANY SUBSTANTIAL DEFICITS AS A RESULT OF THE INCREASE IN PETROLEUM PRICES AND PARTLY BECAUSE DONDELINGER BELIEVES THE LUXEMBOURG FINANCIAL CENTER WILL ATTRACT AN INCREASING FLOW OF FUNDS. (THE RECENT PURCHASE OF KUWAIT PARTICIPATION IN DAIMLER-BENZ, FOR EXAMPLE, IS HELD BY A LUXEMBOURG BASED HOLDING COMPANY). ALTHOUGH ANY OFFICIAL GOL POSITION WILL BE DETERMINED BY PRIME MINISTER (AND FOREIGN MINISTER) THORN, DONDELINGER, AS THE ONLY HOLDOVER FROM THE PREVIOUS GOL WITH INTERNATIONAL FINANCIAL EXPERIENCE, APPEARS TO HAVE INCREASED HIS INFLUENCE, PARTICULARLY WITHIN THE FINANCE MINISTRY ON THESE QUESTIONS.FARKAS

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